

Varroc Engineering Ltd.

Regd. & Corp. Office

L-4, MIDC, Industrial Area
Waluj, Aurangabad 431
136, Maharashtra, India

Tel + 91 240 6653700
Fax + 91 240 2564540

email: varroc.info@varroc.com
www.varroc.com
CIN: L28920MH1988PLC047335



VARROC/SE/INT/2021-22/26

August 12, 2021

To,

The Manager- Listing
The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051.

The Manager – Listing
The Corporate Relation Department,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578

NSE Symbol: VARROC

Sub: Outcome of Board Meeting

Ref: Regulation 30 (read with Part A of Schedule III) and Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/Madam,

This is to inform you that the Board of Directors of the Company, at its meeting held today i.e. on Thursday, August 12, 2021, which commenced at 1:30 p.m. and concluded at 2:30 p.m. has considered and approved the following items.

1. Unaudited Financial Results (Standalone and Consolidated) for the quarter ended on June 30, 2021

The Unaudited (Standalone and Consolidated) Financial Results of the Company for the quarter ended on June 30, 2021 were approved.

Pursuant to Regulation 33 of the Listing Regulations, we enclose the following:

- i. Statements showing the Unaudited Financial results (Standalone and Consolidated) of the Company for the quarter ended on June 30, 2021; and
- ii. The Limited Review Reports issued by the Statutory Auditors of the Company on the aforesaid Unaudited Financial Results (Standalone and Consolidated).

Further, these Financial Results will be uploaded on the Company's website www.varroc.com and will also be published in Business Standard (English) and Loksatta (Marathi) newspapers.

2. Statement of nil deviation(s) or variation(s)

Pursuant to the Regulation 32 of the Listing Regulations, the Company hereby confirms that there has been NO deviation/ variation in the utilization of proceeds for the quarter ended June 30, 2021, as mentioned in the objects stated in the placement document of Qualified Institutional Placement.

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This intimation is also being uploaded on the Company's website i.e. www.varroc.com.

We request you to take this on record and treat the same as compliance with the applicable provisions of the Listing Regulations, as amended.

Thanking you,
Yours faithfully,

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a



Statement of unaudited consolidated financial results for the quarter ended June 30, 2021

(Rs. in Million)

Sr. No.	Particulars	Quarter ended			Year ended
		June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
		Unaudited	Audited (refer note 2)	Unaudited	Audited
1	Revenue from operations	29,415.99	36,192.57	12,746.93	1,13,027.51
2	Other income	153.59	320.10	500.01	1,271.00
3	Total income (1+2)	29,569.58	36,512.67	13,246.94	1,14,298.51
4	Expenses				
	Cost of materials consumed	21,154.20	25,043.57	8,340.40	75,845.11
	Changes in inventories of work-in-progress and finished goods	(1,261.49)	(400.01)	283.27	(729.39)
	Employee benefits expense	4,762.67	4,676.18	3,477.55	16,295.75
	Finance costs	385.79	371.54	431.54	1,626.29
	Depreciation and amortisation expense	2,192.09	2,361.78	2,068.95	8,950.93
	Other expenses	4,730.30	5,701.14	2,550.03	17,648.13
	Total expenses	31,963.56	37,754.20	17,151.74	1,19,636.82
5	Profit/(loss) before share of profits of joint ventures, tax and exceptional items (3-4)	(2,393.98)	(1,241.53)	(3,904.80)	(5,338.31)
6	Share of Profits/(loss) of Joint Ventures	(25.51)	63.96	109.71	356.28
7	Profit/(loss) before exceptional items and tax (5+6)	(2,419.49)	(1,177.57)	(3,795.09)	(4,982.03)
8	Tax expense				
	Current tax	60.64	134.77	-	614.64
	Excess provision in respect of earlier year	(8.82)	(145.98)	-	(180.25)
	Deferred tax	(178.52)	276.83	(709.21)	(207.77)
	Total tax expense	(126.70)	265.62	(709.21)	226.62
9	Profit/(loss) for the period before exceptional items(7-8)	(2,292.79)	(1,443.19)	(3,085.88)	(5,208.65)
10	Exceptional item - Tax Expense (refer note 4)	-	-	-	1,077.76
11	Profit/(loss) for the period (9-10)	(2,292.79)	(1,443.19)	(3,085.88)	(6,286.41)
12	Other comprehensive income to be reclassified to profit or loss in subsequent periods				
	Deferred hedging gains on cash flow hedges (net of tax)	-	19.90	7.14	-
	Exchange differences in translating the financial statements of foreign operations	461.52	(244.13)	107.13	(355.68)
13	Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
	Remeasurement of defined benefit obligation (net of tax)	-	51.90	-	51.90
14	Other comprehensive income/(loss), net of tax (12+13)	461.52	(172.33)	114.27	(303.78)
15	Total comprehensive income/(loss) for the period (11+14)	(1,831.27)	(1,615.52)	(2,971.61)	(6,590.19)
16	Profit/(Loss) for the period attributable to:				
	Shareholders of the Company	(2,302.85)	(1,454.01)	(3,077.18)	(6,319.07)
	Non-controlling interests	10.06	10.82	(8.70)	32.66
17	Other comprehensive income/(loss) attributable to:				
	Shareholders of the Company	461.52	(172.19)	114.27	(303.64)
	Non-controlling interests	-	(0.14)	-	(0.14)
18	Total comprehensive income/(loss) for the period attributable to:				
	Shareholders of the Company	(1,841.33)	(1,626.20)	(2,962.91)	(6,622.71)
	Non-controlling interests	10.06	10.68	(8.70)	32.52
19	Paid- up equity share capital (face value of Re.1)	152.79	152.79	134.81	152.79
20	Reserves excluding revaluation reserves as per balance sheet	-	-	-	30,126.34
21	Earnings per equity share attributable to Owners [Nominal value per share: Re. 1 (Previous year : Re. 1)](not annualised)				
	Basic and diluted (in Rupees)	(15.07)	(10.67)	(22.83)	(46.75)



Unaudited Consolidated Segment wise Revenue, Results, Assets and Liabilities

(Rs. in Million)

Particulars	Quarter ended			For the year ended
	June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
	Unaudited	Audited (refer note 2)	Unaudited	Audited
1) Segment Revenue				
(i) Automotive	28,681.18	35,622.20	12,352.91	1,11,137.63
(ii) Others	734.81	570.37	394.02	1,889.88
	29,415.99	36,192.57	12,746.93	1,13,027.51
2) Segment Results				
(i) Automotive	(2,042.23)	(941.40)	(3,460.58)	(3,668.62)
(ii) Others	(53.20)	(64.73)	(59.18)	(373.42)
Total Segment Results	(2,095.43)	(1,006.13)	(3,519.76)	(4,042.04)
Add/ (Less):				
(a) Finance Cost	(385.79)	(371.54)	(431.54)	(1,626.29)
(b) Net unallocated (expenditure) / income	61.73	200.10	156.21	686.30
Profit/(loss) before tax	(2,419.49)	(1,177.57)	(3,795.09)	(4,982.03)
3) Segment Assets				
(i) Automotive	1,02,241.13	1,02,849.49	90,520.34	1,02,849.49
(ii) Others	2,551.65	2,546.73	2,179.78	2,546.73
Total segment assets	1,04,792.78	1,05,396.22	92,700.12	1,05,396.22
Add: Unallocated	7,242.14	6,857.01	7,592.40	6,857.01
Total assets	1,12,034.92	1,12,253.23	1,00,292.52	1,12,253.23
4) Segment Liabilities				
(i) Automotive	49,284.22	48,674.58	33,704.47	48,674.58
(ii) Others	987.54	650.21	581.82	650.21
Total segment liabilities	50,271.76	49,324.79	34,286.29	49,324.79
Add: Unallocated	33,033.53	32,367.54	38,689.33	32,367.54
Total liabilities	83,305.29	81,692.33	72,975.62	81,692.33

Notes :

- The above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on August 12, 2021 and were subjected to limited review by the Statutory Auditors.
- The figures for the quarter ended March 31, 2021 are the derived figures between audited figures in respect of full financial year upto March 31, 2021 and the unaudited published year to-date figures upto December 31, 2020, being the date of end of the third quarter of the previous financial year which were subjected to limited review.
- The Group had received notice from a third party auto component supplier for certain alleged patent infringements in respect of some of the products supplied by an overseas subsidiary of the Group in the European region in previous year. The matter is under litigation and considering that the matter is technical and needs extensive evaluation, it is not possible to predict the potential outcome of this matter. Accordingly, no provision has been considered in respect of this matter in the results for the quarter ended June 30, 2021. The auditors in their review report have drawn Emphasis of Matter in relation to this matter.



- 4 The Czech subsidiary of the company had, in earlier years, recognised certain tax credits as deferred tax assets under two different incentive schemes available to the company. The management reassessed the recoverability of these tax assets based on revised business plans, taking into account the impact of COVID-19 on the business volumes and profitability of the Czech subsidiary in the current financial year as well as future years. Based on this assessment, management concluded that there is an uncertainty on the recoverability of the deferred tax assets recognised under the first scheme, which expires by March 2024. Accordingly, the Group had written down these tax assets amounting to Rs. 1,077.76 million under the abovementioned scheme during the previous year ended March 31, 2021 and the same was disclosed separately as "Exceptional Item" in the results. The management is working on various opportunities to utilize this benefit and this write off does not impact the eligibility of the Czech subsidiary to claim the incentive benefit in the event there are sufficient taxable profits available in subsequent years before expiry of the benefits.
- 5 The "Automotive" segment consists of the business of automobile products consisting of auto parts for two-wheelers, three-wheelers and four-wheelers and related design, development and engineering activities and other services. "Others" comprise of forging components for off road vehicles and components for mining and oil drilling industry which is below the thresholds for reporting as separate operating segment. Investment in Joint Venture and corresponding share of profit/loss from joint venture is considered under unallocated assets and profit/loss respectively.
- 6 During the quarter ended June 30, 2021, subsidiary company in Czech Republic has received a government grant of Rs. 17.16 million (Quarter ended March 31, 2021: Rs Nil Million; Quarter ended June 30, 2020: Rs 158.88 Million ; year ended March 31, 2021: Rs. 215.47 Million) towards employee benefit expenses incurred during the lockdown imposed due to COVID-19 pandemic.
- 7 The deferred tax in "Tax expense" for the quarter ended June 30, 2021 includes a credit of Rs.79.95 Million (Quarter ended March 31, 2021: Rs Nil Million; Quarter ended June 30, 2020: Rs Nil Million; Year ended March 31, 2021: credit of Rs. 134.15 million) recognized on tax incentive available on eligible investments by overseas subsidiaries.
- 8 The Group's automotive lighting plant at Pune, India was destroyed by fire on February 18, 2020. The insurance claim in this regard was settled in previous year and accordingly the other income for the quarter ended June 30, 2020 and year ended March 31, 2021 includes an amount of Rs. 364.72 million being the excess of claim amount over net book value of assets destroyed. Further, the Group sold plot of land belonging to the above said plant in the quarter ended March 31, 2021. Accordingly, other income for the quarter and year ended March 31, 2021 includes amount of Rs. 241.87 million being profit on sale of such land.
- 9 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.
- 10 The Group has considered the possible effects of COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, deferred tax assets, etc and impact on liquidity position. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Group, as at the date of approval of these financial results, has used internal and external sources of information. The Group has performed analysis on the assumptions used and based on current estimates, expects that the carrying amounts of the assets to be recoverable as at June 30, 2021. The impact of COVID-19 on the Group's financial results may differ from that estimated as at the date of approval of these consolidated financial results.
- 11 Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year's classification.

For and on behalf of Board of Directors
Varroc Engineering Limited

JAIN TARANG
NARESH

Tarang Jain
Chairman and Managing Director

Place : Pune
Date : August 12, 2021

Independent Auditor's Review Report on the Quarterly Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

**Review Report to
The Board of Directors
Varroc Engineering Limited**

1. We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results of Varroc Engineering Limited (the "Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its joint ventures for the quarter ended June 30, 2021 (the "Statement") attached herewith, being submitted by the Holding Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Holding Company's Management and approved by the Holding Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the Circular No. CIR/CFD/CMD1/44/2019 dated March 29, 2019 issued by the Securities and Exchange Board of India under Regulation 33(8) of the Listing Regulations, to the extent applicable.

4. The Statement includes the results of the following entities:

List of Subsidiaries:

Varroc Polymers Private Limited; Durovalves India Private Limited; Team Concepts Private Limited; CarlQ Technologies Private Limited; Varroc European Holding B.V.; VarrocCorp Holding B.V.; Varroc Japan Co. Ltd.; IMES, Italy; Varroc Lighting Systems Italy, S.p.A.; Varroc Lighting Systems Romania S.A.; Varroc Lighting Systems Vietnam Co. Ltd.; Varroc Lighting Systems SRO CZ; Varroc Lighting Systems, INC; Varroc Lighting Systems, GmbH; Varroc Lighting Systems, S.de.R.L.de.C.V.; Varroc Lighting Systems SA, Morocco; Varroc do Brasil Industria E Comercio LTDA; Varroc Lighting Systems, S.p.z.o.o.; Varroc Lighting Systems Endüstriyel Ürünler İmalat ve Ticaret Anonim Şirketi; Varroc Lighting Systems Bulgaria Eood, Varroc Lighting Systems Electronics Romania SRL.

List of Joint Ventures:

Nuova CTS, Srl, Italy; Varroc TYC Corporation BVI; Varroc Dell'Orto Private Limited.

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of other auditors referred to in paragraph 7 and 9 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013, as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

Emphasis of Matter

6. We draw attention to Note 3 of the accompanying consolidated financial results in respect of litigation relating to alleged patent infringements. In management's view, the matter is technical and needs extensive evaluation and hence it is not possible to determine the potential outcome of this matter. Based on a legal opinion obtained, the Group believes that it has grounds to defend against the said allegation and accordingly no provision has been considered in respect of this matter in these results.

Our conclusion is not modified in respect of this matter.

7. The accompanying Statement includes the unaudited interim financial results/statements and other financial information, in respect of:
- 6 subsidiaries, whose unaudited interim financial results/statements include total revenues of Rs. 6,208 million, total net loss after tax of Rs. 139 million, total comprehensive loss of Rs. 139 million, for the quarter ended June 30, 2021, as considered in the Statement which have been reviewed by their respective independent auditors.
 - 1 joint venture, whose unaudited interim financial results/statements include Group's share of net loss of Rs. 38 million and Group's share of total comprehensive loss of Rs. 38 million for the quarter ended June 30, 2021, as considered in the Statement whose interim financial results/financial statements, other financial information have been reviewed by its independent auditors.

The independent auditor's reports on interim financial statements/ financial information/ financial results of these entities have been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures in respect of these subsidiaries and joint ventures is based solely on the report of such auditors and procedures performed by us as stated in paragraph 3 above.

8. Certain of these subsidiaries/joint venture are located outside India whose financial results and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been reviewed by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial results of such subsidiaries/joint venture located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have reviewed these conversion adjustments made by the Holding Company's management. Our conclusion in so far as it relates to the balances and affairs of such subsidiaries/joint venture located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and reviewed by us.

S R B C & C O L L P

Chartered Accountants

9. The accompanying Statement includes unaudited interim financial results /statements and other unaudited financial information in respect of:

- 5 subsidiaries, whose interim financial results/statements and other financial information reflect total revenues of Rs. 473 million, total net loss after tax of Rs. 18 million, total comprehensive loss of Rs. 18 million, for the quarter ended June 30, 2021.
- 2 joint ventures, whose interim financial results/statements includes the Group's share of net profit of Rs. 12 million and Group's share of total comprehensive income of Rs. 12 million for the quarter ended June 30, 2021.

The unaudited interim financial statements/ financial information/ financial results and other unaudited financial information of the these subsidiaries and joint ventures have not been reviewed by any auditors and have been approved and furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the affairs of these subsidiaries and joint ventures, is based solely on such unaudited interim financial statement/financial results and other unaudited financial information. According to the information and explanations given to us by the Management, these interim financial statements/financial information/financial results are not material to the Group.

Our conclusion on the Statement in respect of matters stated in para 7, 8 and 9 above is not modified with respect to our reliance on the work done and the reports of the other auditors and the financial results/financial information certified by the Management.

For S R B C & C O L L P

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

**PAUL MICHAEL
ALVARES**

Digitally signed by PAUL
MICHAEL ALVARES
DN: cn=PAUL MICHAEL
ALVARES, c=IN, o=Personal,
email=paul.alvares@srb.in
Date: 2021.08.12 14:36:36 +05'30'

per Paul Alvares

Partner

Membership No.: 105754

UDIN: 21105754AAAAFB1111

Place: Pune

Date: August 12, 2021



Statement of unaudited standalone financial results for the quarter ended June 30, 2021

(Rs. in million)

Sr. No.	Particulars	Quarter ended			Year ended
		June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
		Unaudited	Audited (Refer note 2)	Unaudited (Restated refer note 3)	Audited
1	Revenue from operations	6,660.19	8,234.98	2,510.49	25,617.78
2	Other income (refer note 4)	94.80	392.88	451.79	1,114.15
3	Total Income (1 + 2)	6,754.99	8,627.86	2,962.28	26,731.93
4	Expenses				
	(a) Cost of materials consumed	4,812.92	6,054.88	1,550.89	17,462.19
	(b) Changes in stock of finished goods and work-in-progress	(516.07)	(389.23)	(38.54)	(746.45)
	(c) Employee benefits expense	806.88	811.70	519.07	2,686.87
	(d) Finance costs	125.65	139.89	131.30	561.10
	(e) Depreciation and amortisation expense	395.49	384.04	377.33	1,543.62
	(f) Other expenses	1,063.19	1,108.10	493.61	3,853.09
	Total expenses (4)	6,688.06	8,109.38	3,033.66	25,360.42
5	Profit/(loss) before tax (3- 4)	66.93	518.48	(71.38)	1,371.51
6	Tax expense				
	Current tax	12.19	67.09	-	247.55
	Short/(excess) provision for tax relating to prior periods	(8.82)	(3.20)	-	(37.47)
	Deferred tax	12.24	123.40	(26.03)	239.81
	Total tax expense (6)	15.61	187.29	(26.03)	449.89
7	Profit/(loss) for the period (5-6)	51.32	331.19	(45.35)	921.62
8	Other comprehensive income				
	Items that will be reclassified to profit or loss in subsequent periods (net of tax)				
	Deferred hedging gains/(losses) on cash flow hedges (net of tax)	-	19.90	7.14	-
	Items that will not be reclassified to profit or loss in subsequent periods (net of tax)				
	Remeasurement of defined benefit obligation (net of tax)	-	18.15	-	18.15
	Other comprehensive income	-	38.05	7.14	18.15
9	Total comprehensive income for the period (7+8)	51.32	369.24	(38.21)	939.77
10	Paid-up equity share capital (Face value of the share in Re.1/- each)	152.79	152.79	134.81	152.79
11	Reserves excluding revaluation reserves as per balance sheet of previous accounting year				19,016.83
12	Earnings per share (of Re 1/- each) (not annualised): Basic & diluted	0.34	2.43	(0.34)	6.82

Registered and Corporate Office: L-4, MIDC Area, Waluj, Aurangabad 431 136, Maharashtra

CIN: L28920MH1988PLC047335

Tel: +91 240 6653 700/6653 699, Fax: +91 240 2564 540

E-mail: investors@varroc.com

Notes to the Unaudited Standalone Financial Results:

- 1) The above results were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on August 12, 2021 and were subjected to limited review by the Statutory Auditors.
- 2) The figures for the quarter ended March 31, 2021 are the balancing figures between audited figures in respect of full financial year upto March 31, 2021 and the unaudited published year-to-date figures upto December 31, 2020, being the date of the third quarter of the financial year, which were subjected to limited review.
- 3) Pursuant to provisions of Section 230-232 of the Companies Act 2013, the Board of Directors of the Company on November 12, 2019 had approved the scheme of amalgamation of Varroc Lighting Systems (India) Private Limited ('VLSIPL') (wholly owned subsidiary of the Company) with Varroc Engineering Limited with appointed date of April 01, 2020 ('the Scheme'). National Company Law Tribunal ('NCLT') approved the above scheme vide its order dated November 02, 2020 and the merger became effective on December 7, 2020 on filing of the NCLT order the Registrar of Companies. The merger has been accounted for as business combination of entities under common control as per Appendix C to Ind AS 103 - Business Combinations. Accordingly, all the comparative periods presented in the standalone results have been restated to include the effect of this merger.
- 4) The automotive lighting plant of the Company (erstwhile Varroc Lighting Systems India Private Limited) at Pune, India was destroyed by fire on February 18, 2020. The insurance claim in this regard was settled in previous year and accordingly the other income for the quarter ended June 30, 2020 and year ended March 31, 2021 includes an amount of Rs. 364.72 million being the excess of claim amount over net book value of assets destroyed. Further, the Company sold plot of land belonging to the above said plant in the quarter ended March 31, 2021. Accordingly, other income for the quarter and year ended March 31, 2021 includes amount of Rs. 241.87 million being profit on sale of such land.
- 5) The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.
- 6) The Company has considered the possible effects of the COVID-19 pandemic including the impact on sales projections for future periods and consequent impacts on the recoverable values of assets including property, plant and equipment, intangible assets, etc. In developing the assumptions relating to the possible future uncertainties in the economic conditions because of this pandemic and arriving at estimates, the Company, as at the date of approval of these financial results, has used internal and external sources of information. The Company has performed analysis on the assumptions used and based on current estimates, expects the carrying amounts of the assets to be recoverable as at June 30, 2021. The impact of COVID-19 on the Company's financial results may differ from that estimated as at the date of approval of these standalone financial results.
- 7) Figures of previous year/periods have been reclassified/regrouped/restated, wherever necessary to conform to current period/year classification.

For and on behalf of Board of Directors

Varroc Engineering Limited

JAIN TARANG
NARESH

Tarang Jain

Chairman and Managing Director

Place: Pune

Date: August 12, 2021

Independent Auditor's Review Report on the Quarterly Unaudited Standalone Financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended**Review Report to
The Board of Directors
Varroc Engineering Limited**

1. We have reviewed the accompanying statement of unaudited standalone financial results of Varroc Engineering Limited (the "Company") for the quarter ended June 30, 2021 (the "Statement") attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").
2. This Statement, which is the responsibility of the Company's Management and approved by the Company's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standards ('Ind AS') specified under Section 133 of the Companies Act, 2013 as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm registration number: 324982E/E300003PAUL MICHAEL ALVARES
ALVARES
Digitally signed by PAUL MICHAEL ALVARES
DN: cn=PAUL MICHAEL ALVARES, c=IN,
o=Personal, email=paul.alvares@srb.in
Date: 2021.08.12 14:35:59 +05'30'**per Paul Alvares**

Partner

Membership No.: 105754

UDIN: 21105754AAAAFA7782

Place: Pune

Date: August 12, 2021

Varroc Engineering Ltd.

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CIN: L28920MH1988PLC047335



VARROC/SE/INT/2021-22/27

August 12, 2021

To,

The Manager- Listing
The Listing Department,
**National Stock Exchange of India
Limited**
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai-400051.

The Manager – Listing
The Corporate Relation Department,
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai-400001.

BSE Security Code: 541578

NSE Symbol: VARROC

Dear Sir/Madam,

Sub: Press Release and Investor Presentation - Financial Results Q1/FY 2021-22

Please find enclosed a copy of Press Release and Investor Presentation on the Unaudited Financial results (Consolidated & Standalone) for the quarter ended on June 30, 2021.

Kindly take the same on record and note the compliance.

For Varroc Engineering Limited

Ajay Sharma
Group General Counsel and Company Secretary

Encl: a/a

Varroc Engineering Limited

Financial Results

Q1 FY22

::12th August 2021::

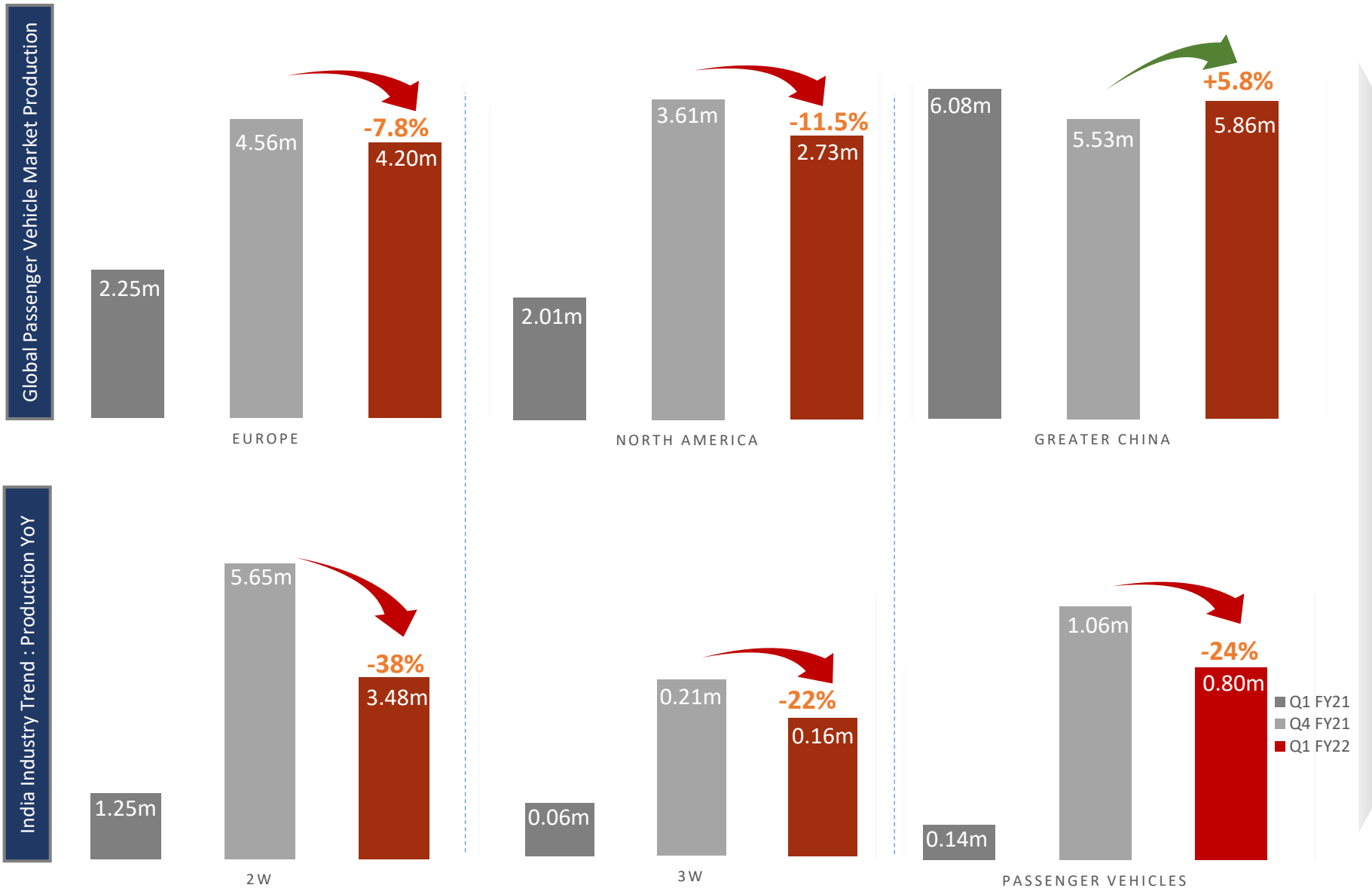
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This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events and involves known and unknown risks, uncertainties and other factors. The Company cannot guarantee that these assumptions and expectations are accurate or exhaustive or will be realised. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. No obligation is assumed by the Company to update the forward-looking statements contained herein.

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Industry Trends in Q1 FY22 – Steep QoQ drop in Global PV Volumes, India suffered due to Covid 2nd wave shutdowns



- PV volumes in Q1 FY22 severely impacted by semiconductor shortages; OEMs continued to operate plants at sub-optimal capacity/ plant shutdowns were frequent. North America and Europe QoQ volumes saw significant drop
- China PV volumes saw QoQ increase in PV Volumes but a YoY decline of 3.6% as it had recovered from COVID first wave in Q1 FY21.
- Domestic sales volumes grew YoY on back of strong market recovery and lower base in Q1 FY21 (shutdowns); However, the QoQ performance was very weak as the COVID second wave related lockdowns severely impacted volumes – 2Ws (-38%), 3Ws (-24%), PVs (-25%)
- Exports for 2Ws and 3Ws showed YoY growth

Business Highlights: Q1 FY22

- **Revenue from operations for the quarter declined 19% QoQ to ₹ 29.4 Billion**
- **Consolidated EBITDA for the quarter severely impacted by semiconductor shortages led volume drop in VLS business and the shutdowns in India**
- **India Business:** Revenue declined by 22.6% QoQ due to COVID second wave related lockdowns; EBITDA margin at 7.7%
- **VLS:** Revenue declined 17.9% QoQ in Euro terms; EBITDA margin at (-)2.8% severely impacted by:
 - Semiconductor shortages leading to key OEMs shutting plants/ reducing volumes, impacting revenue and margins at our established profit-making plants
 - Mexico Production revenue continued the declining trend seen in previous quarter – down (-)6.5% QoQ after seeing QoQ decline of (-)19.3% in previous quarter
 - Czech Republic Production revenue decline trend intensified - down further (-)21% QoQ
 - Continued losses in new plants – Poland and Morocco - as expected volume ramp-up did not materialise
- **VLS China JV:** Revenue declined (-)26.5% QoQ leading to drop in EBITDA margins to (+)4.6%
- **Net debt increased to ₹ 27.7 billion;** FCF was negative due to disruption in working capital cycle, capex and weaker operating performance
- **Business wins: VLS net business wins at € 99 Million and India business wins at ₹ 2.8 Billion**
- **Project RACE** to bring VLS EBIT level in line with industry benchmarks is making good progress in identifying potential areas for improvement

Varroc Group: Financial Performance

₹ million

Particulars	Q1 FY22	Q1 FY21	Q4 FY21	Growth (Y-o-Y)	Growth (Q-o-Q)
Revenue from Operations - Reported	29,416	12,747	36,193	131%	-19%
Other income - Operating	146	110	103		
Other income - Non operating	8	390	217		
EBITDA - Reported *	176	(1,794)	1,275		-86%
EBITDA Margins (%)	0.6%	-14.1%	3.5%		
Share of net profits of JVs under equity method	(26)	110	64		
Depreciation & Engineering/Intangible amortisation	2192	2069	2362	6%	-7%
Finance Cost	386	432	372	-11%	4%
PBT - reported	(2,419)	(3,795)	(1,178)		
PAT - reported	(2,293)	(3,086)	(1,443)		

Particulars	Q1 FY22	Q4 FY21	Change
Net Debt (Excl. Impact of Leases: Ind AS 116)	27,771	22,527	5,244
Net Debt to Equity (Excl. Impact of Leases: Ind AS 116)	1.0	0.7	

Debt increased due to::

1. Negative Working Capital changes (Increased inventory mainly)
2. Capex during the quarter
3. Negative operating results

*EBITDA = Profit before share of net profits of JVs plus depreciation plus finance cost less non-operating portion of other income

Varroc Group: Business Wise Performance Q1 FY22

₹ million

SBU	Q1 FY22			Q1 FY21			Revenue Change YoY	Q4 FY21			Revenue Change QoQ
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA		Revenue	EBITDA	% EBITDA	
India Business	9,480	728	7.7%	2,950	(245)	-8.3%	221.4%	12,249	1,456	11.9%	-22.6%
VLS	19,504	(544)	-2.8%	9,604	(1,550)	-16.1%	103.1%	23,513	(171)	-0.7%	-17.1%
Others (IMES)	741	(8)	-1.1%	402	(11)	-2.7%	84.1%	577	(11)	-1.9%	28.3%
Elimination	(309)	0		(209)	11			(147)	1		
Total	29,416	176	0.6%	12,747	(1,795)	-14.1%	130.8%	36,193	1,275	3.5%	-18.7%
China JV - 50%	1,171	53	4.6%	1,297	217	16.7%	-9.7%	1,594	125	7.8%	-26.5%
Total (Incl. pro-rata JV share)	30,587	230	0.8%	14,044	(1,578)	-11.2%	117.8%	37,787	1,400	3.7%	-19.1%

Euro Performance for VLS

SBU	Q1 FY22			Q1 FY21			Revenue Change YoY	Q4 FY21			Revenue Change QoQ
	Revenue	EBITDA	% EBITDA	Revenue	EBITDA	% EBITDA		Revenue	EBITDA	% EBITDA	
VLS -Euro	219.6	(6.1)	-2.8%	115.0	(18.5)	-16.1%	90.9%	267	(2)	-0.7%	-17.9%

Exchange rates : ₹/ € Average for Q1 FY22 = 88.83; ₹/ € Average for Q1 FY21 = 83.67; ₹/ € Average for Q4 FY21 = 87.9

VLS: QoQ performance by plant

€ million except otherwise mentioned

Region	Production Revenue			Q-o-Q Change %
	Q3 FY21	Q4 FY21	Q1 FY22	
North America	41	33	31	-6.5%
Czech	152	146	116	-20.7%
Poland	13	16	16	-0.7%
Morocco	12	15	16	6.2%
India	6	7	5	-26.7%
Brazil	2	2	2	-2.4%
SL2W	20	23	22	-6.9%
Eliminations	(9)	(8)	(9)	
Production Revenue	234	237	199	-16.0%
Tooling	17	26	15	-39.7%
Engineering	8	5	5	0.0%
Total Reported Revenue	258	267	220	-17.9%

New plant financial performance (€ mn)

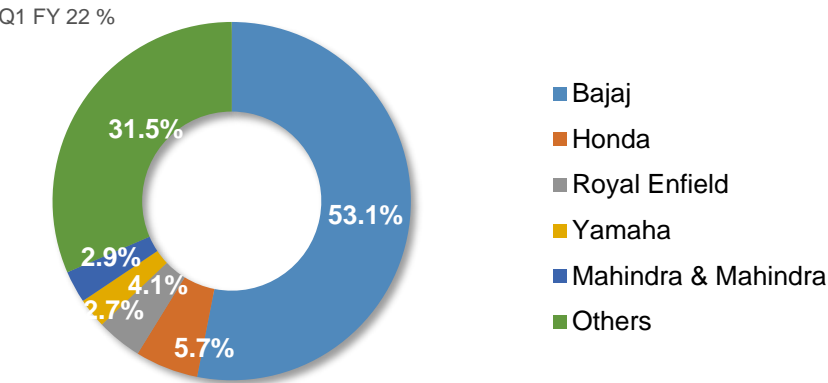
	Poland			Morocco		
	Q1 FY21	Q4 FY21	Q1 FY22	Q1 FY21	Q4 FY21	Q1 FY22
Revenue	1.7	19.2	19.5	2.9	17.8	17.6
EBITDA	(1.1)	(2.9)	(5.1)	(1.7)	(3.5)	(2.5)
EBITDA %	-65%	-15%	-26%	-60%	-19%	-14%
PAT	(2.2)	(5.7)	(6.8)	(3.2)	(7.3)	(5.0)

Semiconductor shortages continue to impact Established plants* production revenue negatively, albeit at a pace even more severe than the previous quarter.

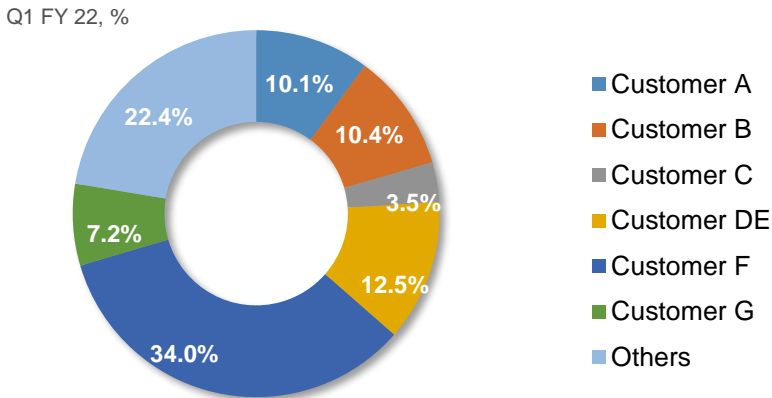
Newer plant profitability still not up to expectations due to slower ramp up in volumes

Revenue by Customers and Order Wins

India Revenue Split by Customer⁽¹⁾



VLS Revenue Split by Customer ⁽²⁾



Revenue in Europe declined by 17.6% QoQ

Revenue in Americas declined by 10.2% QoQ

Revenue in India declined by 45.2% QoQ

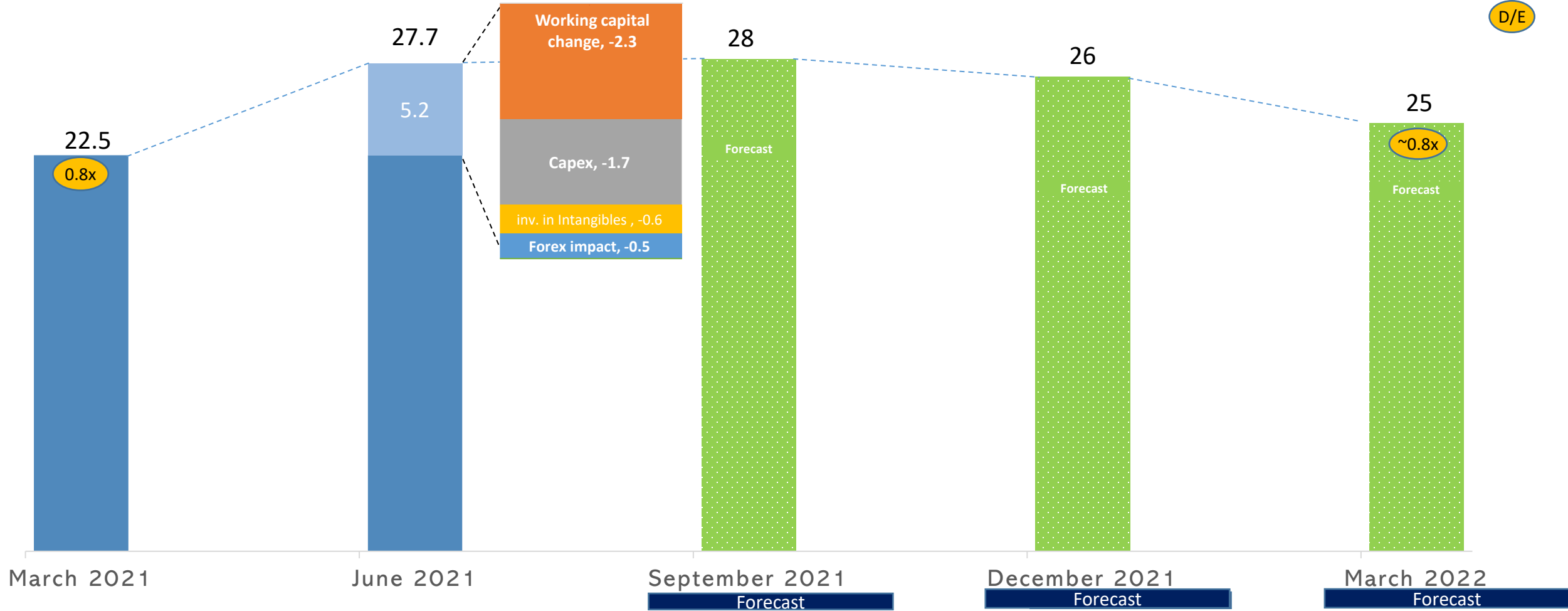
Business	New Business wins: VLS / Recent orders: India	Near term potentials
VLS (Till July 22)	Overall Net Business Wins of € 99 Million; - New Business wins - € 78 Million net of givebacks/ cancellations - Re-wins - € 21Million net of losses	Ordering activity is picking-up gradually and some of the potential orders will add to the already strong visibility for the VLS business
India Business (Q1 FY22)	Overall Net Business Wins of ₹ 2.8 billion (New ₹ 2.7 billion) Bajaj: Business of ₹ 1.6 billion for various products across businesses TVS Motors: New orders of ₹ 0.5 billion for two new product categories Various orders from customers (VW, Yamaha, MG Motors, and Mahindra & Mahindra etc.) for ₹ 0.7 billion	<p>In discussion with major customers for Electrical products, Traction Motor and Controller, Telematics, lighting, Catalytic Convertor and Polymer products.</p> <p>Active engagement with new customers for couple of more product categories for EV products, BSVI products and forging products</p>

Notes: (1) Based on management information system database
(2) Total Revenue break-up in Euro excl VTVC; Customer A is an American multinational car manufacturer, Customer B is a large British car manufacturer, Customer C is an American electric car manufacturer, Customer DE is an international automotive manufacturer, customer, customer F is a global automotive manufacturer headquartered in Europe and Customer G is a leading light vehicle manufacturing group in the world

Debt Situation Status Update and Outlook for FY21

₹ Billion

D/E



Debt Reduction by March 22 to happen through -

- Part restoration of working capital cycle
- Reduction in Capex intensity
- Positive operating cashflow expected in Q3 and Q4 as we expect Semi-Conductor shortages situation to improve

Update on Current Business Environment

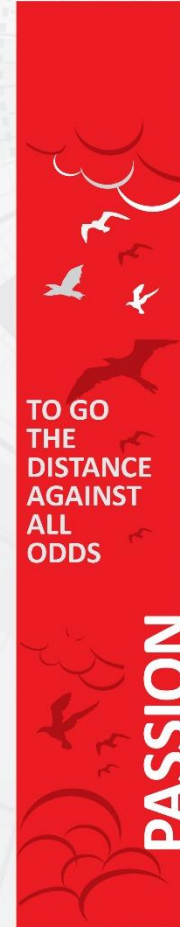
- **Current Situation**

- India business revenue performance strong in July
- VLS July / August – Semiconductor issues continuing -
 - Soft schedules as a result of semi-conductor shortages till August 2021. North America volumes August onwards to be considerably better than previous 6 months
 - Overtime and premium freight costs under control

- **Outlook**

- **India:** The business has shown a strong recovery post lockdowns; expect to see a strong growth in coming months
- **VLS Revenue growth driven by end customer demand but constrained by semiconductor shortages**
- **Focus on cost optimization, positive free cashflow and debt reduction to continue**
 - Launch of project RACE to help achieve industry level profitability
 - Control over Capex and working capital
- **Focus on maintaining adequate liquidity support to business**

THANK YOU





Varroc Engineering Limited

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CIN: U28920MH1988PLC047335 | Tel + 91 240 6653700 | www.varroc.com

Press Release

- Revenue from Operations for the quarter declined by 19% QoQ to ₹ 29.4 Billion; India Business revenue declined due to COVID second wave related lockdowns and the VLS revenue declined as a result of key customer OEMs shutting plants/ reducing volumes due to semiconductor shortages
- Consolidated EBITDA for the quarter severely impacted by the lower revenue/ capacity under-utilization as well as increase in raw material costs
- Net Debt increased to ₹27.7 billion mainly as a result of disruption to working capital cycle, capex and weaker operating performance
- Order wins encouraging with ₹2.8 billion inflows in India Business and € 99 million in VLS Business

Pune, August 12, 2021: Varroc Engineering Ltd. (Varroc), a global tier-I auto component group, today announced its results for the quarter ended June 30, 2021

Summary Consolidated Financials

	Q1 FY22	Q1 FY21	Q4 FY21	YoY % Change	QoQ % Change
Revenue from Operations - Reported	29416.0	12746.9	36,192.6	131%	-19%
Other Income - Operating	146.1	110.0	103.4		
Other Income - non-Operating	7.5	390.0	216.7		
EBITDA: Reported	176.4	-1794.3	1,275.1	na	-86%
EBITDA %	0.6%	-14.1%	3.5%		
Depreciation & Amortisation	2192.1	2069.0	2,361.8	6%	-7%
Finance Cost	385.8	431.5	371.5	-11%	4%
Share of net profits of JVs under equity method	-25.5	109.7	64.0		
PBT - Reported	-2419.5	-3795.1	-1177.6		
Tax	-126.7	-709.2	265.6		
PAT before exceptional tax asset impairment	-2292.8	-3085.9	-1443.2		

Consolidated Financial Performance for the quarter

- Revenue from operations for the quarter was ₹ 29,416 million, an increase of 130.8% over Q1 FY21; however the revenue declined by 18.7% QoQ
- India Business revenue declined by 22.6% QoQ due to COVID second wave related lockdowns, and VLS revenue declined by 17.9% QoQ (in Euro) as a result of key customer OEMs shutting plants/ reducing volumes
- The EBITDA for the quarter was at ₹ 176 million (Ex China)
- Consolidated EBITDA for the quarter severely impacted by semiconductor shortage led production volume drop in VLS business and shutdowns in India. The EBITDA for India business was at ₹ 728 million (EBITDA margin 7.7%); while VLS reported EBITDA of (-) ₹ 544 million.

China JV

- China JV Revenue declined by 27% QoQ. Our share of the China JV profit was (-) ₹ 26 Million as against a PAT of (+) ₹ 54 million in Q4 FY21.

Depreciation and Amortisation

- Depreciation and Amortisation expenses have started to stabilise and were lower than the previous quarter (-7%) as capex intensity has reduced.

Finance Cost

- Finance cost was at ₹ 386 million, lower by 10.6% YoY due to reduction in gross debt over the last one year.

Project RACE

- Project RACE (Rapid Achievement of Competitive Edge) to bring VLS EBIT level in line with industry benchmarks is progressing well. In the initial phase, we are working on diagnostics to identify the improvement opportunities. The implementation of actions on quick wins has been initiated and is expected to start showing impact in the next six months.

Mr. Tarang Jain, CMD, Varroc Engineering Ltd. commented,

“Countrywide lock-downs in India during COVID second wave and severe semiconductor shortages globally, impacted the revenue and the profitability in the first quarter. The semiconductor shortage situation is expected to continue in Q2 as well. The additional capacity for semiconductors is expected to be available in the second half and this should help stabilise the industry PV volumes.

During this challenging external environment, our focus will be to steadily improve the margins in our VLS business on a sustainable basis in the coming quarters.”

About Varroc Engineering Ltd.

Varroc Engineering Ltd is a global tier-1 automotive component group, ranked 124th in the 2019 Fortune India 500 list. It was incorporated in 1988. The group designs, manufactures and supplies exterior lighting systems, plastic and polymer components, electricals-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle OEMs directly worldwide. The group revenue was close to ₹ 11,300 crore (USD 1.5 Billion) in FY21. The group employs more than 13,400+ employees, has 43 global operating manufacturing facilities and has 161 patents.

Varroc Engineering Limited's shares are listed on the National Stock Exchange (VARROC) and the Bombay Stock Exchange (541578).